

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

***Byron-Gaines Utility Authority***  
***Kent County, Michigan***  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REPORT**  
*Years ended June 30, 2005 and 2004*

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **Byron-Gaines Utility Authority**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The following discussion and analysis is intended as a narrative overview of the Byron-Gaines Utility Authority's operations over the fiscal year and its financial condition on June 30, 2005.

#### **FINANCIAL HIGHLIGHTS**

- The Authority's total net assets increased \$2,062,307, or 156 percent, as a result of this year's activities.
- Total net assets, in the amount of \$3,383,284, were reported, of which \$3,416,482 is invested in capital assets. This leaves the Authority with an unrestricted net assets deficit of \$33,198.

#### **Overview of the financial statements**

The Statement of Net Assets reports all of the Authority's assets and liabilities along with the difference between the two, which is identified as the net assets. Over time, increases or decreases in net assets may serve as a useful indicator as to whether the Authority's financial position is improving or deteriorating. However, other factors must also be considered when evaluating the overall financial position.

The statement of revenues, expenses, and changes in net assets shows how the Authority's net assets changed during the fiscal year. All changes in net assets are reported when the underlying events giving rise to the changes occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave). This statement should help the reader to answer the question: Is the Authority, better off or worse off as a result of this year's activities?

The statement of cash flows presents the Authority's cash receipts and disbursements during the fiscal year, classified by principal sources and uses.

#### **Funds**

The accounts of the Authority are organized on the basis of funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority's funds are classified in two categories:

*Operating Fund.* This fund accounts for the expenses involved in providing utility operation and maintenance services to the constituent municipalities who are then charged fees to recover the costs of operation. This fund uses accrual accounting, which is the same method used by private sector businesses.

*Fiduciary Fund.* This fund is used to account for the resources held for the benefit of parties outside the government. The resources reported here represent an agency relationship and are not, therefore, available to the Authority to provide services to its customers. The Authority is responsible for ensuring that the assets reported in this fund are used for their intended purpose. The Authority's fiduciary assets and liabilities are reported in a separate Statement of Fiduciary Net Assets - agency fund. This fund is also reported using accrual accounting.

The notes to the basic financial statements provide additional information that is necessary to understand the data reported in the financial statements.

**Byron-Gaines Utility Authority**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**FINANCIAL ANALYSIS**

**Net assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the Authority's case, assets exceeded liabilities at the end of the fiscal year by \$3,383,284. The Authority's investment in capital assets (e.g., building, equipment, and vehicles), a component of the total net assets, amounts to \$3,416,482. The Authority uses these capital assets to provide essential services to its customers; consequently, these assets are not available to be liquidated for future spending needs.

Because the Authority's investment in capital assets exceeds its total net assets, the remaining balance of unrestricted net assets is negative. The negative balance is due to the fact that certain expenses have been incurred, but not yet billed to the Authority's customers.

**Condensed financial information**  
**Net assets**

	<u>2005</u>	<u>2004</u>
Current assets	\$ 193,166	\$ 154,982
Noncurrent assets	<u>3,416,482</u>	<u>1,342,166</u>
<b>Total assets</b>	<u>3,609,648</u>	<u>1,497,148</u>
Current liabilities	81,364	31,171
Noncurrent liabilities	<u>145,000</u>	<u>145,000</u>
<b>Total liabilities</b>	<u>226,364</u>	<u>176,171</u>
Net assets:		
Invested in capital assets	3,416,482	1,342,166
Unrestricted (deficit)	<u>(33,198)</u>	<u>(21,189)</u>
<b>Total net assets</b>	<u>\$ 3,383,284</u>	<u>\$ 1,320,977</u>

**Changes in net assets.** The Authority experienced an increase in net assets of \$2,062,307. This increase is primarily the result of nonoperating capital contributions received from the constituent municipalities, which finance the acquisition of capital assets.

The Authority's total revenues were \$3,095,702. Virtually all of the Authority's revenues come from its constituent municipalities. During the current year, the Authority charged \$904,354 for its services and received \$2,190,213 in capital contributions. Of this amount, \$2,012,488 represents utility system assets that were transferred from the Townships in accordance with the agreement, which established the Authority.

**Byron-Gaines Utility Authority**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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The total cost of the Authority's operations amounted to \$1,033,395. More than 42 percent of the costs are personnel costs, while nearly 24 percent represents shop supplies.

**Condensed financial information**  
**Changes in net assets**

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Charges for services	\$ 901,354	\$ 770,071
Other	3,000	-
Nonoperating revenues:		
Capital contributions	2,190,213	160,181
Interest income	1,135	481
<b>Total revenues</b>	<u>3,095,702</u>	<u>930,733</u>
Expenses:		
Personnel	438,627	345,826
Supplies	253,463	213,664
Professional services	85,950	125,026
Utilities	40,077	30,214
Repairs and maintenance	37,155	33,374
Insurance	28,036	18,483
Depreciation	115,897	56,693
Miscellaneous	34,190	30,551
<b>Total expenses</b>	<u>1,033,395</u>	<u>853,831</u>
<b>Increase in net assets</b>	<u>\$ 2,062,307</u>	<u>\$ 76,902</u>

**Capital assets and debt administration**

*Capital assets*

The Authority's investment in capital assets as of June 30, 2005, amounts to \$3,416,482 (net of accumulated depreciation). Capital assets include utility system infrastructure, buildings, land improvements, shop and office equipment, and vehicles.

The net increase in capital assets amounted to \$2,074,316. This year's major capital events included the following:

- Utility system infrastructure, amounting to \$2,012,488, was contributed by the constituent units.
- A storage building was constructed at a cost of \$118,535.
- Purchased vehicles for \$38,165.
- Purchased a variety of equipment totaling \$15,100.

More detailed information about the Authority's capital assets is presented in Note 4 of the notes to the financial statements.

**Byron-Gaines Utility Authority**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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*Debt*

At the end of the fiscal year, the Authority's debt consists of advances from the constituent municipalities that represent a working capital reserve, which is to be equal to three months of budgeted direct expenses of the Authority.

**Economic condition and outlook**

The Authority continues to rely on support from its constituent municipalities to finance all operating costs and capital acquisitions.

**Contacting the Authority's financial management**

This financial report is designed to provide a general overview of the Authority's finances to its customers and creditors, and to demonstrate the Authority's accountability for the money it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Lynn Thomas, Manager  
Byron-Gaines Utility Authority  
1381 84th Street SE  
Byron Center, MI 49315

Phone: (616) 971-0002  
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## INDEPENDENT AUDITORS' REPORT

**Members of the Commission  
Byron-Gaines Utility Authority**

We have audited the accompanying financial statements of the Byron-Gaines Utility Authority, as of June 30, 2005 and 2004, and for the years then ended, as listed in the contents. These financial statements are the responsibility of the Byron-Gaines Utility Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Byron-Gaines Utility Authority as of June 30, 2005 and 2004, and the changes in financial position and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages i through iii, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Siegfried Crandall P.C.*

August 11, 2005

## **BASIC FINANCIAL STATEMENTS**

**Byron-Gaines Utility Authority**  
**STATEMENT OF NET ASSETS**  
*June 30, 2005 and 2004*

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 120,546	\$ 90,543
Receivables	<u>72,620</u>	<u>64,439</u>
Total current assets	193,166	154,982
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>3,416,482</u>	<u>1,342,166</u>
Total assets	<u>3,609,648</u>	<u>1,497,148</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	47,387	8,000
Accrued expenses	26,927	21,671
Deposits	4,000	1,500
Deferred revenue	<u>3,050</u>	<u>-</u>
Total current liabilities	81,364	31,171
Noncurrent liabilities:		
Advances from constituent municipalities	<u>145,000</u>	<u>145,000</u>
Total liabilities	<u>226,364</u>	<u>176,171</u>
<b>NET ASSETS</b>		
Invested in capital assets	3,416,482	1,342,166
Unrestricted (deficit)	<u>(33,198)</u>	<u>(21,189)</u>
Total net assets	<u>\$ 3,383,284</u>	<u>\$ 1,320,977</u>

*See notes to financial statements*

**Byron-Gaines Utility Authority****STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS***Years ended June 30, 2005 and 2004*

	<u>2005</u>	<u>2004</u>
<b>OPERATING REVENUES</b>		
Charges for services:		
Charter Township of Gaines	\$ 520,244	\$ 412,974
Township of Byron	381,110	357,097
Other	3,000	-
	<u>904,354</u>	<u>770,071</u>
<b>OPERATING EXPENSES</b>		
Personnel:		
Salaries and wages	324,339	259,497
Fringe benefits	114,288	86,329
Supplies:		
Office	9,344	10,870
Shop	244,119	202,794
Professional services:		
Engineering	27,286	73,535
Legal	1,565	291
Other	57,099	51,200
Utilities	40,077	30,214
Advertising	6,108	4,427
Repairs and maintenance	37,155	33,374
Insurance	28,036	18,483
Depreciation	115,897	56,693
Miscellaneous	28,082	26,124
	<u>1,033,395</u>	<u>853,831</u>
<b>OPERATING LOSS</b>	<u>(129,041)</u>	<u>(83,760)</u>
<b>NONOPERATING REVENUE</b>		
Interest	<u>1,135</u>	<u>481</u>
<b>CAPITAL CONTRIBUTIONS FROM CONSTITUENT MUNICIPALITIES</b>		
Charter Township of Gaines	1,062,177	80,091
Township of Byron	<u>1,128,036</u>	<u>80,090</u>
	<u>2,190,213</u>	<u>160,181</u>
<b>CHANGE IN NET ASSETS</b>	2,062,307	76,902
<b>NET ASSETS - BEGINNING</b>	<u>1,320,977</u>	<u>1,244,075</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 3,383,284</u>	<u>\$ 1,320,977</u>

*See notes to financial statements*

**Byron-Gaines Utility Authority**  
**STATEMENT OF CASH FLOWS**  
*Years ended June 30, 2005 and 2004*

	<u>2005</u>	<u>2004</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 899,223	\$ 944,652
Payments to suppliers	(546,016)	(569,325)
Payments to employees	(324,339)	(237,826)
Net cash provided by operating activities	<u>28,868</u>	<u>137,501</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Repayment of advances from constituent municipalities	<u>-</u>	<u>(755,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital contributions from constituent municipalities	177,725	369,617
Acquisition of fixed assets	(177,725)	(160,181)
Decrease in accounts payable	<u>-</u>	<u>(209,436)</u>
Net cash provided by capital and related financing activities	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<u>1,135</u>	<u>481</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	30,003	(617,018)
<b>CASH - BEGINNING</b>	<u>90,543</u>	<u>707,561</u>
<b>CASH - ENDING</b>	<u>\$ 120,546</u>	<u>\$ 90,543</u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>		
Operating loss	\$ (129,041)	\$ (83,760)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	115,897	56,693
(Increase) decrease in receivables	(8,181)	173,081
Increase (decrease) in:		
Accounts payable	39,387	(29,702)
Accrued expenses	5,256	19,689
Customer deposits	2,500	1,500
Deferred revenue	<u>3,050</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 28,868</u>	<u>\$ 137,501</u>

See notes to financial statements

**Byron-Gaines Utility Authority**  
**STATEMENT OF CASH FLOWS (Continued)**  
*Years ended June 30, 2005 and 2004*

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	<u>2005</u>	<u>2004</u>
<b>Noncash capital and related financing activities:</b>		
Acquisition of capital assets	\$ (2,190,213)	\$ (160,181)
Less capital assets contributed by constituent municipalities	<u>2,012,488</u>	<u>-</u>
Net cash used	<u>\$ (177,725)</u>	<u>\$ (160,181)</u>

*See notes to financial statements*

**Byron-Gaines Utility Authority**

**STATEMENT OF FIDUCIARY NET ASSETS - agency fund**

*June 30, 2005 and 2004*

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	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Due from constituent municipalities	<u>\$ 440,868</u>	<u>\$ 155,269</u>
 <b>LIABILITIES</b>		
Accounts payable	<u>\$ 440,868</u>	<u>\$ 155,269</u>

*See notes to the financial statements*

**Byron-Gaines Utility Authority**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Byron-Gaines Utility Authority (the Authority) conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies:

*a) Reporting entity:*

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Authority. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Authority has determined that no outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Authority's financial statements.

These financial statements include all the operations of the Authority, a municipal joint venture. The Authority was created under the provisions of Act 233 of the Public Acts of Michigan of 1955, as amended, through an agreement entered into by the Township of Byron and the Charter Township of Gaines on March 4, 2002. The purpose of the Authority is to acquire, own, construct, improve, enlarge, extend, maintain, and operate sewage disposal systems and water supply systems for the benefit of its constituent municipalities. Initially, it is the intent of the constituent municipalities that the Authority operate and maintain the sewage disposal systems and water supply systems located in and owned by the constituent municipalities. Capital expenditures are supported by contributions from the constituent municipalities.

The constituent municipalities have entered into contracts with certain nonconstituent municipalities for the furnishing of sewer and water service to utility systems owned by the constituent municipalities. The Authority, in a fiduciary capacity, collects money from the constituent municipalities and pays the nonconstituent municipalities for these services. This activity is accounted for in the Authority's Agency Fund.

*b) Basis of accounting:*

The Authority uses the accrual basis of accounting to account for its operations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed to the extent that those standards do not conflict with or contradict the standards of the Governmental Accounting Standards Board. The Authority has elected not to follow subsequent private-sector standards.

*c) Operating revenues and expenses:*

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with principal ongoing operations. Operating revenues represent billings to the constituent municipalities for operating and maintaining the utility systems located in and owned by the constituent municipalities. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.



**Byron-Gaines Utility Authority**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets and liabilities:*

i) *Cash* - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) *Receivables* - All receivables are considered to be fully collectible.

iii) *Capital assets* - Capital assets, which include property, equipment, and vehicles, are defined by the Authority as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	5 - 40 years
Buildings	40 years
Equipment	5 - 10 years
Vehicles	7 years

iv) *Compensated absences (vacation and sick leave)* - It is the Authority's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for unpaid accumulated vacation and sick leave has been recorded for the portion due to employees upon separation from service. Vested compensated absences are accrued when earned.

NOTE 2 - CASH:

At June 30, 2005, cash consists of the following:

Cash on hand	\$ 100
Deposits with financial institutions	<u>120,446</u>
Total	<u>\$ 120,546</u>

*Deposits with financial institutions* - State statutes and the Authority's investment policy authorize the Authority to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Authority's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Authority will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. As of June 30, 2005, \$317,292 of the Authority's bank balances of \$444,340 was exposed to custodial credit risk because it was uninsured. The Authority believes that it is impractical to insure all bank deposits. The Authority evaluates each financial institution with which it deposits funds and assesses the risk level of each financial institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**Byron-Gaines Utility Authority**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 3 - RECEIVABLES:**

At year-end, the receivables consist of amounts due from constituent municipalities that are due within one year.

**NOTE 4 - CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2005, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Capital assets being depreciated:				
Utility system insurable assets	\$ -	\$ 2,012,488	\$ -	\$ 2,012,488
Land improvements	75,654	5,925	-	81,579
Buildings and improvements	1,133,661	118,535	-	1,252,196
Shop equipment	54,509	12,884	-	67,393
Office equipment and furniture	41,805	2,216	-	44,021
Vehicles	97,078	38,165	-	135,243
Subtotal	<u>1,402,707</u>	<u>2,190,213</u>	<u>-</u>	<u>3,592,920</u>
Less accumulated depreciation for:				
Utility system insurable assets	-	49,400	-	49,400
Land improvements	1,190	3,477	-	4,667
Buildings and improvements	28,386	29,864	-	58,250
Shop equipment	6,692	8,678	-	15,370
Office equipment and furniture	7,215	7,602	-	14,817
Vehicles	17,058	16,876	-	33,934
Subtotal	<u>60,541</u>	<u>115,897</u>	<u>-</u>	<u>176,438</u>
Total capital assets being depreciated, net	<u>\$ 1,342,166</u>	<u>\$ 2,074,316</u>	<u>\$ -</u>	<u>\$ 3,416,482</u>

During the year ended June 30, 2005, the constituent municipalities contributed the insurable capital assets of their utility systems to the Authority. These assets, consisting principally of water towers, were valued at \$2,012,488 on the date title was conveyed.

Depreciation expense, in the amount of \$115,897, was charged to operations.

**NOTE 5 - NONCURRENT LIABILITY:**

The constituent municipalities provided advances, which represent a working capital reserve for the Authority that is to be equal to three months of budgeted direct expenses of the Authority.

**Byron-Gaines Utility Authority**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 6 - DEFINED CONTRIBUTION PENSION PLAN:**

The Authority provides pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The Authority contributes 10% of each qualified employee's base salary to the plan. The Authority's contributions are fully vested immediately. The Authority is not a trustee of the plan, nor is the Authority responsible for investment management of plan assets. The Authority made the required contributions of \$31,594 for the year ended June 30, 2005.

**NOTE 7 - RISK MANAGEMENT:**

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), and medical benefits provided to employees. The Authority has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.